



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 19, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **LOS ANGELES URBAN LEAGUE, INC., SOUTH CENTRAL  
CONTRACT REVIEW – A COMMUNITY AND SENIOR SERVICES  
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER – FISCAL  
YEAR 2007-08**

We completed a program, fiscal and administrative contract compliance review of Los Angeles Urban League, Inc., South Central (Urban League – South Central or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

**Background**

CSS contracts with Urban League – South Central, a private non-profit organization to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The types of services provided by Urban League – South Central include occupational skills training, job placement and career planning. The Agency is located in the Second District.

Urban League – South Central was compensated on a cost reimbursement basis and had a contract for \$1,211,960 for Fiscal Year (FY) 2007-08.

### **Purpose/Methodology**

The purpose of the review was to determine whether Urban League – South Central complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines. In addition, we interviewed a number of the Agency's staff.

### **Results of Review**

Generally, Urban League – South Central provided the program services to eligible participants and maintained sufficient control over its business operations. However, the Agency billed CSS \$22,958 in questioned costs. Specifically, Urban League – South Central:

- Exceeded line-item budgeted amounts totaling \$15,266 for the WIA Adult Program and \$888 for the WIA Dislocated Worker Program.
- Had undocumented expenditures totaling \$4,849 in their FY 2006-07 close-out invoice.
- Billed CSS \$1,955 in undocumented expenditures.

In addition, the Agency did not always comply with WIA and County contract requirements. For example, Urban League – South Central:

- Did not implement nine (28%) of the 32 recommendations contained in our prior year's monitoring report including not repaying CSS \$2,040.
- Did not report the participants' program activities on the Job Training Automation (JTA) system for five (20%) of the 25 participants sampled. The JTA system is used by the State of California Employment Development Department (EDD) and the Department of Labor to track WIA participant activities.
- Did not register 14 (56%) of the 25 participants sampled on the EDD's CalJOBS system. CalJOBS system is California's internet system for linking employers with individuals seeking employment.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with Urban League – South Central and CSS on December 10, 2008. In their attached response, the Agency concurred with our findings and recommendations with one exception. The Agency indicated that they will not repay CSS the \$24,998 (\$22,958 + \$2,040) in questioned costs but instead will work with CSS to resolve the questioned costs, including submitting additional documentation to support their expenditures.

Due to the confidential nature of the documents provided by the Agency, we did not include them in this report. We thank Urban League – South Central for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

#### **Attachment**

- c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Department of Community and Senior Services  
Trevor Ware, Chief Operation Officer, Los Angeles Urban League, Inc., South Central  
Irv Miller, Chairperson, Los Angeles Urban League, Inc., South Central  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
LOS ANGELES URBAN LEAGUE, INC. – South Central  
FISCAL YEAR 2007-08**

**ELIGIBILITY**

**Objective**

Determine whether Los Angeles Urban League, Inc. – South Central (Urban League – South Central or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 25 (12%) (15 Adult and 10 Dislocated Worker) of the 215 participants that received services from July 2007 through May 2008 for documentation to confirm their eligibility for WIA services.

**Results**

All 25 participants sampled met the eligibility requirements for the WIA programs.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 25 (12%) participants that received services from July 2007 through May 2008. We also interviewed 16 participants.

**Results**

The 16 participants interviewed stated that the services they received met their expectations. However, Urban League – South Central did not always comply with WIA guidelines. Specifically, the Agency did not:

- Report the participants' program activities, such as supportive services, on the Job Training Automation (JTA) system for five (20%) of the 25 participants sampled. The JTA system is used by the State of California Employment Development Department (EDD) and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Register 14 (56%) of the 25 participants sampled on the EDD's CalJOBS system. WIA guidelines require contractors to register the participants receiving services at the Los Angeles County WorkSource Centers on EDD's CalJOBS system. CalJOBS system is California's internet system for linking employers with individuals seeking employment.

Subsequent to our review, the Agency submitted a request to update the participants' program activities on the JTA system for the five participants and registered the 14 participants into EDD's CalJOBS system.

### **Recommendations**

#### **Urban League – South Central management:**

1. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**
2. **Register all participants on the Employment Development Department's CalJOBS system as required.**

### **PERFORMANCE OUTCOME REVIEW**

#### **Objective**

Determine whether Urban League – South Central met the planned performance outcomes as outlined in the County contract and accurately report the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

#### **Verification**

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract and the program activities reported on the Job Training Automation system.

#### **Results**

Urban League – South Central generally met all the planned performance outcomes outlined in the County contract.

**Recommendation**

There are no recommendations for this section.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's April 2008 bank reconciliation.

**Results**

Generally, Urban League – South Central maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, Urban League – South Central could improve their controls over liquid assets, such as gas cards and bus tokens. Specifically, one employee maintained custody of the gas cards and bus tokens, authorized their disbursements, reconciled the asset ledgers and requested replenishment of the items.

Subsequent to our review, Urban League – South Central provided a revised policy that adequately enhanced their controls over the Agency's liquid assets.

**Recommendation**

3. Urban League – South Central management ensure that staff comply with the Agency's policy for liquid assets.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 39 non-payroll expenditure transactions billed by the Agency for July 2007 and January 2008, totaling \$47,381.

**Results**

Generally, Urban League – South Central's expenditures were allowable, accurately billed and supported by documentation as required.

**Recommendation**

**There are no recommendations for this section.**

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, Urban League – South Central maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

**There are no recommendations for this section.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether Urban League – South Central's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 12 items purchased with WIA funds, totaling \$15,861.

**Results**

Urban League – South Central could not locate one (7%) of the 14 items sampled, totaling \$3,577. The Agency also did not investigate and/or report the theft of two additional items, totaling \$3,356, to CSS as required by the County contract.

The Agency's inventory listing was also incomplete and inaccurate. Specifically, two items previously listed in the FY 2006-07 inventory listing were not listed on the FY 2007-08 inventory listing. In addition, Urban League – South Central assigned two County property tag numbers to one equipment item. Urban League – South Central's management could not provide an explanation for the discrepancies noted during our review.

Subsequent to our review, the Agency located the missing equipment and submitted the police reports to CSS regarding the two additional missing items.

**Recommendations****Urban League – South Central management**

- 4. Ensure that inventory is safeguarded.**
- 5. Investigate missing inventory and follow appropriate procedures for reporting lost or stolen inventory to CSS.**
- 6. Ensure that the Agency's equipment inventory listing is complete and accurate.**
- 7. Ensure that only one County property tag number is assigned to each equipment item.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures invoiced for 15 employees totaling \$52,356 for January 2008 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed personnel files for nine employees assigned to the WIA programs.

**Results**



Urban League – South Central did not always bill CSS payroll expenditures based on actual hours worked as required by the County contract and the Agency's Cost Allocation Plan. Specifically, Urban League – South Central billed the second pay period's payroll expenditures based on estimates using a percentage of hours worked from the first pay period. According to Agency management, they use estimated hours for the second pay period in order to submit their monthly invoice to CSS within the established timeframe.

Although the difference between the billed and actual payroll expenditures was immaterial for the month sampled, Urban League – South Central management should ensure that payroll expenditures are billed based on actual hours worked not estimated amounts as required. A similar finding was also noted during the prior year's monitoring review.

In addition, the Agency did not obtain criminal record clearance for one (11%) of the nine employees sampled or maintain personnel files as required. Specifically, the Agency did not maintain proof of employability, signed Employee Acknowledgement and Confidentiality Agreements, copies of valid driver's licenses, proof of automobile insurance and/or annual performance evaluations in all nine employees' personnel files reviewed. Similar findings were also noted in the prior year's monitoring review.

Subsequent to our review, Urban League – South Central provided the criminal record clearance and/or proofs of citizenship for all nine employees sampled. However, the Agency did not provide copies of current driver's licenses for three employees, performance evaluations for two employees or proof of automobile insurance and signed Employee Acknowledge and Confidentiality Agreement for all nine employees sampled.

### **Recommendations**

#### **Urban League – South Central management:**

- 8. Bill CSS based on actual expenditures incurred or ensure that the estimated payroll expenditures are adjusted in the subsequent months' invoices to reflect the actual hours worked in the previous months.**
- 9. Obtain a criminal clearance for all employees assigned to the WIA program and ensure that the personnel files are maintained as required.**

## **COST ALLOCATION PLAN**

### **Objective**

Determine whether Urban League – South Central's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

### **Verification**

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July 2007 and January 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

### **Results**

Generally, Urban League – South Central's Cost Allocation Plan was prepared in compliance with the County contract. However, as previously indicated, the Agency did not always bill CSS payroll expenditures based on actual hours worked as required by the County contract and the Agency's Cost Allocation Plan. A similar finding was also noted during the prior years' monitoring reviews.

### **Recommendation**

- 10. Urban League – South Central management ensure that the Agency's Cost Allocation Plan is correctly applied to program costs.**

## **CLOSE-OUT REVIEW**

### **Objective**

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoices for the WIA Adult and Dislocated Worker programs reconciled to the Agency's financial accounting records.

### **Verification**

We trace Urban League – South Central's FY 2006-07 general ledgers to the Agency's final close-out invoices for FY 2006-07. We also reviewed a sample of expenditures incurred in May and June 2007.

### **Results**

Urban League – South Central billed CSS \$22,958 in questioned costs. Specifically:

- Urban League – South Central exceeded multiple line-item budgeted amounts by \$15,266 for the WIA Adult Program and \$888 for the WIA Dislocated Worker Program. The County contract requires the contractor to request for reimbursement based on actual expenditures incurred during the program year, not to exceed budgeted amounts for which the contractor has adequate supporting documentation. A similar finding was also noted during the prior two years' monitoring reviews.
- Urban League – South Central's FY 2006-07 general ledger for the WIA Dislocated Worker Program did not reconcile to the Agency's FY 2006-07 close-out invoice. Specifically, Urban League – South Central's general ledger for the WIA Dislocated Worker program totaled \$521,036. However, the Agency's final close-out invoice for the WIA Dislocated Worker Program totaled \$525,885, resulting in \$4,849 in unsupported expenditures. A similar finding was also noted during the prior year's monitoring review.
- Urban League – South Central billed CSS \$1,955 for unsupported audit and accounting services.

### **Recommendations**

#### **Urban League – South Central management:**

11. **Repay CSS \$22,958 (\$15,266 + \$888 + \$4,849 + \$1,955).**
12. **Ensure that expenditures do not exceed budgeted amounts.**
13. **Maintain adequate documentation to support the expenditures**

### **PRIOR YEAR FOLLOW-UP**

#### **Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

#### **Verification**

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on March 24, 2008.

#### **Results**

The prior year's monitoring reports contained 32 recommendations. Urban League – South Central implemented 23 recommendations. As indicated earlier, the findings related to Recommendations 1, 8, 9, 10, 12 and 13 were also noted during our prior monitoring review. The remaining three recommendations required the Agency to repay

CSS \$2,040, obtain approval from CSS for purchases of supplies within the last two months of the contract period and implement the outstanding recommendations from the prior years' monitoring reports.

**Recommendations****Urban League – South Central management:**

- 14. Repay CSS \$2,040.**
- 15. Implement the outstanding recommendations from the prior years' monitoring reports.**



Los Angeles Urban League

January 7, 2009

Wendy L. Watanabe, Acting Auditor-Controller  
Department of Auditor-Controller  
Attention: Yoon Bae  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> floor  
Los Angeles, California 90071

Dear Ms. Watanabe:

Below are the Los Angeles Urban League (LAUL) responses to recommendations made by the Los County Auditor-Controller in connections with their review of LAUL South Central Worksource Center program for the fiscal year ended June 30, 2008.

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Billed Services/Client Verification

**Management Response:**

We agree with the Auditor-Controller recommendation. We have implemented controls to ensure that the JTA system is updated to reflect participants' activities and for registering program participants on EDD's Cal Jobs system. Our procedure will call for that prior to any participant enrolling in WIA program all participants will be required to registered on Caljobs and submit a hard copy of their resume to the LAUL's Customer Services Department. For WIA participant that are enrolled in the program, the Assistant Director will review the participant's file to ensure the correct is code is entered in the JTA system.

Additionally, attached for your review is the documentation that has been submitted to update the JTA system for the five participants. Also attached are fourteen participants' resumes which have been posted to the EDD's Cal Jobs system.

**DIRECTORS**

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Nancy Shelton  
Robert D. Taylor  
George B. Thompson  
Denita Willoughby

Cash/Revenue

**Management Response:**

We agree with the Auditor-Controller. We have implemented a revised accounting and financial policy and procedure which include control over liquid assets. Monitoring of the policy and procedures will be conducted by the Assistant Controller as part of the periodic audits of the petty cash fund.

Fixed Assets and Equipment

**Management Response:**

We agree with the Auditor-Controller recommendation. We have implemented an accounting and financial policy and procedure over Property and Equipment. The procedures include for the preparation of a complete and accurate property log that is to be reconciled to an annual physical inventory count and the general ledger. Additionally, it provides for a procedure for reporting lost or stolen inventory. Monitoring of the policy and procedure will be conducted by the CFO and Controller during the scheduled quarterly review of that balance sheet account and during the contract close-out process.

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Los Angeles Urban League

Payroll and Personnel

**Management Response:**

We agree with the Auditor-Controller recommendation. LAUL procedure for accounting for shared cost will use the actual expenditures to support billed services to LA County CSS. In the event that an estimate must be made, LAUL will promptly adjust in the subsequent month to actual. Additionally, we have installed procedures to ensure personnel files are updated promptly. A checklist has been developed and will be used by the Human Resources Department as a means of ensure all the required documents are obtained during the employee hiring process.

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Cost Allocation Plan

**Management Response:**

We agree with the Auditor-Controller recommendation. LAUL procedure for accounting for shared cost will use the actual expenditures to support billed services to LA County CSS. In the event that an estimate must be made, LAUL will promptly adjust in the subsequent month to actual.

**DIRECTORS**

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Close-Out Review

**Management Response:**

We do not agree with the Auditor-Controller recommendations to repay \$22,958 to CSS. Budget modifications have been prepared and they will be submitted to the Los Angeles County CSS for \$22,958. LAUL will reviews budgeted expenses to actual expenses on a quarterly basis to ensure there is no line-item over expenditure. Additionally, LAUL will continue to work and improve on our adherence to established policies and procedures to ensure all expenditures are supported with valid documentation.

Prior Year Follow-Up

**Management Response:**

We do not agree with Auditor-Controller recommendation to repay CSS \$2,040. LAUL is in the process of supporting its case with CSS. We have communicated with Jackie Sakane; Compliance Manager for CSS, that we will provide support to show the client was in fact eligible to receive WIA services. We agree with the Auditor Controller with respect to implementation of the remaining nine recommendations. It is expected that implementation should occur within the next four months. LAUL will work with the Los Angeles County CSS to resolve the prior years findings.

Please feel free to call me at (323) 290-8906 should you have any questions or require clarification in connection with our responses.

Miguel A. Perez,  
Chief Financial Officer

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